GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:727
ANSWERED ON:28.07.2006
ISSUANCE OF EQUITY AND BONDS BY INDIAN COMPANIES
Tripathy Shri Braja Kishore

Will the Minister of FINANCE be pleased to state:

(a) whether the Government has amended nQrms for the issuance of equity and convertible bonds by Indian companies in the international markets;

(b) if so, the details thereof; and

(c) the extent to which domestic shareholders are likely to be benefited by such norms?

Answer

MINISTER OF STATE IN MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL)

(a) Yes, Sir.

(b) The Government, vide Press Note of 31st August 2005, inter-alia brought pricing guidelines for American Depositary Receipts/Global Depositary Receipt/Foreign Currency Convertible Bonds (ADR/GDR/FCCBs) on par with SEBI guidelines for domestic issues. Unlisted companies, which have not yet accessed the GDR / FCCB route for raising capital in the international market now require prior or simultaneous listing in the domestic market for such issue. It also stipulated that the unlisted companies, which had issued GDRs/FCCBs in the international market, would require to list in the domestic market on making profit beginning financial year 2005-06 or within three years of such issue of GDRs/FCCBs, whichever is earlier.

The Government, vide Press Note of 3llt March 2006, permitted Unlisted companies which had accessed FCCBs, ADR/GDRs in terms of guidelines of 22nd May 1998 and are not making profit, to comply with listing condition on the domestic stock exchanges within three years of having started making profit. However, no fresh issues of FCCBs, ADR/GDRs by such companies will be permitted without listing first in the domestic exchanges.

Government, vide Press Note dated 28th June, 2006, permitted unlisted Indian companies to sponsor an issue of ADRs/GDRs subject to condition that Unlisted companies which have not issued FCCBs, ADRs/GDRs prior to 311t August, 2005 would require prior or simultaneous listing in the domestic stock exchanges for issuing FCCBs, ADRs/GDRs or sponsor such issues against existing shares under the scheme.

(c) The amendments will benefit the domestic investors also as they would be able to participate in ADR/GDR issuing companies domestic listing as well as participate in sponsoring ADR/GDR issues.